

A Work Project, presented as part of the requirements for the Award of a Masters Degree in Management from the NOVA – School of Business and Economics.

## EFFECTIVENESS OF ONLINE MARKETING TOOLS

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A Project carried out on the Management course, under the supervision of:  
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2013-01-07

## Online Marketing

Internet marketing, or online marketing, means using the Internet to market and sell goods and services. Yet, besides being a new platform for buying and selling, internet has also become a new intermediary for companies to promote their businesses. Internet marketing, being different than traditional one, offers new ways of interacting with customers and other stakeholders. Information and services that are provided through online formats can be ‘pulled’ by users as needed, rather than ‘pushed’ to interested and uninterested stakeholders. Because of this characteristics and the high number of users, internet has become even more powerful than traditional communication channels, such as TV, magazine, and radio.

The findings of different studies shows that customers are conscious about online marketing communication activities. The same studies shows that the efficiency of the online marketing communication tools, leading for positive outcomes and attracting new visitors to the website, is affected mainly by attributes toward this tools and the most important of those are ‘entertaining’ and ‘trustworthy’.<sup>1</sup>

What is more, customers are not only conscious about online marketing communication activities but also, consumers of all ages shop online. The number of online shoppers rose by 24,7% to 22,6 million worldwide in recent years<sup>2</sup>. And this number is predicted to be still growing. Moreover, in the long run, growth will be driven by the ageing population – as today’s younger shoppers get older and their spending power increases, they are likely to spend more online.

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<sup>1</sup> Abdulkadir Efendioglu, Fabiola Igna. 2011. *Attracting Customers Online Effectiveness of Online Marketing Tool*. Master’s Thesis at Luleå University of Technology

<sup>2</sup> Data from 2008. [www.guardian.co.uk](http://www.guardian.co.uk). 12.11.2012.  
<http://www.guardian.co.uk/business/2008/jun/03/retail.consumeraffairs>

The purpose of our thesis is to provide a better understanding on the effectiveness of each online marketing communication tools. As using them will be crucial in the following years for both, online retailers and traditional bricks-and-mortar businesses. In order to reach the purpose of this study I will conduct case study on the effectiveness of online marketing tools used by the selected company. Since the company that I chose for the case study is an online retailer, its communication budgets correspond to objectives of increasing web traffic and online sales. That is why, first I will analyze each of the online marketing tools used by the company subject of the case, and then I will calculate ROI of the mentioned tools. The time horizon is one year.

### **The Case Study Company**

The company I have chosen for the case is an e-commerce company operating in the clothing retail industry on the Czech Republic market. According to Chaffey e-commerce is defined as “all electronically mediated non-financial transactions and financial transactions between an organization and any third party it deals with”<sup>3</sup>.

The case study company runs internet transactions service that is organizing selling campaigns. The company is offering three types of shopping services:

1. Online Private Shopping Club, which is a members only shopping club, where members can buy goods at high discounts, up to 80%. Because they are private a user has to be invited to join the club. Only after sign up users can see the goods and services offered. The company is selling premium brands through this channel by organizing sales events for its members that typically last 2 to 6 days.
2. Online Fashion Outlet where premium brands are offered at up to 70% discounts.

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<sup>3</sup> Chaffey, Dave. 2009. *Internet Marketing*. Pearson Education.

3. Online Shop where premium brands are sold at regular prices.

Kierzkowski<sup>4</sup> states that there are several digital marketing success factors for companies to succeed in the online market, these factors are: attract users, engage users, retain users, ensure their return to an application, learn about their preferences, and, lastly, relate back to them to provide the sort of customized interactions. In order to achieve it all the company is using a variety of online marketing tools, which are described below.

### **Online Marketing Tools**

1. Company's Website

Company's Website is the most important marketing tool because, for an online retailer, it is a selling/buying platform. Apart from this function company's website plays an informational role, about the company, products it offers and prices. This role must not be underestimated. Development of internet allowed customers to compare products and prices from many companies in the short period of time decreasing the transaction costs. It is proved that internet provides more alternatives and more competitive prices of the products or services than traditional environment.

2. Search Engine Marketing (SEM)

Search Engine Marketing aims to increase page ranking of a website so that it is seen in the top of the search engine results and by doing so increase the visits of the webpage. When implementing search engine marketing we have to take into account what kind of search engines are among the most popular in the certain market. In Czech Republic there are two search engines of great

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<sup>4</sup> Kierzkowski, Alexa. 1996. 'Marketing to the digital consumer'. *Mc Kinsey Quarterly*.

importance: Google (Google.cz and Google.sk) with the market share of 47,2%, and Seznam.cz with the market share of 45,5%<sup>5</sup>. Those two engines covers all the market so the company has to concentrate its SEM actions on those two engines.

Search engines are an effective tool for driving customers to the company's website, building networks, selling goods and services. The case company's main objective in SEM is to increase the number of sales.

It is convenient to divide Search Engine Marketing into Paid Search Marketing and Search Engine Optimization (SEO).

The idea of Paid Search Marketing is to allow the companies to pay in order to be on the top positions of search results. Search engines usually apply a slightly different layout to paid search results than to organic search so that the user can distinguish them. Most search engines use pay per click model for paid search marketing. The pay per click (PPC) ads model consists of letting the companies choose keywords and create adverts that relate to their site and business and bid (against competitors) how much per click their business is willing to spend in order to generate traffic directly to their site. In other words, web site owners pay an advertising fee, based on click-throughs or ad views, to search engine companies to have their web site shown in top place on search engine result. However, the rank of company's ads do not depend solely on the amount of money it spends. Among other factors that influences search result position are: the relevance of the keyword to the company's business, the

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<sup>5</sup> Searchengineland.com. 01.11.2012. <http://searchengineland.com/google-number-one-czech-republic-5-countries-left-61174> 2011

relevance of the destination URL to the ad, the attractiveness of the website and the attractiveness of the ad, measured by click-through-rate.

On the other hand, search engine optimization is the process of getting traffic from the free, organic, or natural listings on search engines. SEO consists of actions aimed at optimizing a website by ‘editing its content and HTML to boost its relevance with the specific keywords’<sup>6</sup>. All major search engines such as Google, Yahoo and Bing have such results, where web pages and other content, videos or local listings, are shown and ranked based on what the search engine considers most relevant to users. In SEO payment to the search engine companies isn’t involved, as it is with paid search ads. Nevertheless, SEO is a process of a technical background and requires a constant work of an IT specialist. Google and other search engines algorithms are heavily guarded secrets and changing constantly. All that to provide the user with the most relevant search results. As a consequence, if the company wants to be in the top positions of organic search results, there must be an IT specialist hired, to work on the website content regularly. SEO is not only a great tool to create brand awareness and increase the website visits but, virtually, SEO is a must for every business to promote their website and business.

### 3. Social Network Marketing

‘Social media is defined as a group of internet-based applications such as blogs, social networking sites, content communities, collaborative projects, virtual game worlds and social worlds that build on the ideological and technological foundations of Web 2.0, and that allow the creation and exchange

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<sup>6</sup> Zhu. 2011. *Research and Anaysis of Search Engine Optimization Factors Based on Reverse Engineering*. IEEE

of user generated content'<sup>7</sup>. Social media, when properly used by the companies, helps them to spread messages easily and with low cost to even millions of people. Social media has proved that people like to share their experiences, ideas and involvements about the products and services. If only, the content of the company's message is good enough to attract users, they will probably share it. In this way, social media websites such as YouTube, Facebook, and Twitter could help companies to reach even millions of views in small amount of time.

The social network used by the case company are Facebook, YouTube and company's own blog. Social Networks are tool typically used for shaping brand's reputation and image. It can also work, as shown in the case, to drive new registrations for the business. Social Networks, however, does not usually serve to sell products and services and are not effective when used for this purpose. Gadzinowski claims that social networks can be used as a selling platform but only for a products and services that are emotions related such as pieces of art and tickets to the sport and music events. In the case of products that are not emotions related companies are better off when using social platforms only for promoting dialog and valuable content which is not only product related<sup>8</sup>.

The case company is using its fan page on Facebook for shaping brand reputation, image of the company and to relate to the users. While, to drive fans to the Facebook fan page a special advertising campaign, called 'sponsored stories' is being done. Sponsored stories ads allows businesses to infiltrate users' news feeds in ways that give extra prominence to messages that serve

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<sup>7</sup> Kaplan, Andreas and Haenlein, Michael. 2010. 'Users of the world, unite! The challenges and opportunities of Social Media.'. *Business Horizons* 53, 59-68

<sup>8</sup> Gadzinowski.pl. 15.11.2012. <http://gadinowski.pl/social-media-skuteczna-sprzedaz/>

advertisers' needs. Both Facebook actions are correlated and are complement to each other. The company uses also Facebook standard ads to drive new registrations to its online private shopping club. When the user click on the company's ad on Facebook is directly forwarded to the company's registrations subpage.

Apart from using a Facebook community, the company has created its YouTube channel. Creating and effectively maintaining a YouTube channel can help create a positive brand image of a company and generate traffic to a company's website, which can help increase sales. Building a YouTube channel, frequently updated and with fresh and interesting video content, can also help a business to improve its search rankings.

Another social network tool that the company is using is a company's blog. Running a business blog may have many objectives ranging from PR goals like building thought leadership and better connecting to customers, archiving newsletters, FAQs and valuable content to serving as part of a SEO program. Another reason for running a company's blog is feedback mechanisms. Blog gives users the possibility to ad comments which is a big part of why blogs are different than web sites. Feedback from readers, both good and bad, creates a conversation between users and the company.

#### 4. Display advertising

Display advertising is a graphical advertising on the internet that appears next to content on web pages and emails. Display ads are often referred to as banners and come in standardized ad sizes, can include text, logos, pictures, or more



recently, rich media<sup>9</sup>. Display ads help websites to build a traffic, create brand awareness, familiarity, favorability and purchase intent. However, the general trend is that, as opposed to paid search marketing, display ads works better to create brand awareness rather than to drive sales. Nevertheless, the recent studies shows a new tendency related to display ads. Online advertising exposure stimulates online searches. Various studies have shown that display advertising triggers a significant rise in the number of campaign related searches, demonstrating the intrinsically complementary nature of display advertising and search. According to comScore 56, the probability that consumers in Europe perform a search on the brand, or keywords relating to the brand, is multiplied by 2.3 after exposure to an online advertising campaign<sup>10</sup>.

There are different targeting options available when using display advertising, such as:

- placements targeting

A company can choose the websites where the ads will appear.

- demographic and interests targeting

Google determine a demographic profile and related interests of each person that is using google search engine. Consequently a company can define users it wants to relate to instead of websites. After a company specifies users with specific interests, the company's ads will be displayed on any website this person visits, regardless what kind of website it will be.

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<sup>9</sup> Rich media, synonymous for interactive multimedia, is enhanced media that utilizes a combination of text, audio, still images, animation, video, and interactivity content for active participation from the recipient of the ad.

<sup>10</sup> [www.comscore.com](http://www.comscore.com). 20.11.2012.

[http://www.comscore.com/Insights/Presentations\\_and\\_Whitepapers/2008/How\\_Online\\_Advertising\\_Works\\_Whither\\_The\\_Click](http://www.comscore.com/Insights/Presentations_and_Whitepapers/2008/How_Online_Advertising_Works_Whither_The_Click)

- topic targeting

Google scans the content of each page and places it under a designated topic. A company can target and exclude specific topics depending on the audience it is trying to reach. Consequently, topics target the content of a specific page and not users.

- contextual targeting

The ads are displayed based on the terms that the user searches for and on the websites where appears the selected keywords.

- remarketing

This type of targeting allows a company to target users who have previously visited a company's website. The ads will be showed to any person that have been to company's website and will be displayed on any website a person is visiting.

Most search engines have their display networks but there are also independent display networks, usually grouping websites under a specific topic. The display network used by the case company is Google Display Network.

## 5. E-mail marketing

E-mail marketing is directly marketing a commercial message to a group of people using e-mail. It is usually used to send ads, request business, or solicit sales or donations. Using e-mail marketing companies can create awareness, relate to customers, for 'e-mail offers a promising tool to enhance brand loyalty as it helps marketers keep in touch with their customers on a regular basis at low cost<sup>11</sup>, as well as, can generally simplify customer's life because websites may

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<sup>11</sup> Merisavo, Marko and Raulas, Mika. 2004. 'The impact of e-mail marketing on brand loyalty'. *Journal of Product & Brand Management*.

be full of information and offers for the customers but they may do not have enough time to visit their website everyday, so companies can send permission based e-mails to let them know about the updates and new opportunities they have. E-mail marketing can be done to either cold lists or current customer database.

The case company is sending newsletters to the registered users on a daily basis with the information about new campaigns openings.

### **Suitable measurement framework**

Measuring marketing effectiveness poses numerous challenges due to the ‘multitude of possible metrics for assessing effectiveness’<sup>12</sup>. Chaffey<sup>13</sup> translates effectiveness, from a practical point of view, as ‘producing the required outputs and outcomes’. And for top executives, the required outputs and outcomes are measurable results from these sometimes risky and unpredictable initiatives, which are online marketing investments. That is why for the purpose of this case study I will use framework for calculating ROI of internet marketing investment developed by Marc J. Epstein and Kristi Yuthas<sup>14</sup>.

Online marketing initiative has an advantage over other marketing initiatives that it can be posted online immediately after deciding of doing so and the consumer responses can be tracked in real time straight afterwards. This allows the organization to evaluate the effectiveness in the real time and to directly compare financial returns to the investment that generated them. Therefore the suitable measurement framework should include both micro and macro-level metrics.

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<sup>12</sup> Gray, R. 2006. *What should you measure?* Business Source Complete.

<sup>13</sup> Chaffey, Dave. 2009. *Internet Marketing*. Pearson Education.

<sup>14</sup> Epstein, Marc and Yuthas, Kristi. 2007. *Evaluating the Effectiveness of Internet Marketing Initiatives*. The Society of Management Accountants and the Chartered Institute of Management Accountants.

Micro-level metrics are those which assess the efficiency of e-marketing tactics and implementation and are often referred to as performance drivers. E-marketing performance drivers help optimize e-marketing by attracting more site visitors and increasing conversion to desired marketing outcomes. Once customers have been attracted to the site we can monitor content assessed, when they visit and how long they stay, and whether this interaction with content leads to satisfactory marketing outcomes such as new leads or sales. If visitors are incentivized to register on-site it is possible to build up profiles of behavior for different segments. It is also important to recognize return visitors for whom cookies or log-in are used.

On the other hand macro-level effectiveness metrics are those which assess whether strategic goals are achieved and indicate to what extent e-marketing contributes to the business (revenue contribution and return on investment).

Objectives in the measurement framework used in this paper are devised in a bottom-up perspective. Success in achieving objectives for site promotion, on-site customer behavior and customer satisfaction lead sequentially to achieving objectives for marketing outcomes and business contribution. This way the lower level measures support the macro-level strategic objectives. Consequently user behavior data helps us to understand how online marketing tools translates into increased profits and business value.

#### 1. Micro-level metrics

Micro-level metrics does not always have the direct relationship with revenues. In most cases, outcomes of internet marketing are more complex. For example, consumers who don't respond to an ad can still develop a favorable image of the brand through this exposure. And customers holding a favorable image are open to future purchases of the

product. Moreover, when analyzing browsing behavior, it is important to distinguish between two categories of metrics: site centric and user centric approaches. In the site centric measurement the statistics are derived from the records of activity captured by the site and delivers a measurement of total activity on a site for a given period. This approach offers a wealth of information but it does not allow for cross-checking against internet users previously exposed to the ad. It also precludes analyzing the impact of the advertisement on browsing behavior on the website. On the other hand, the user centric approach consists of using cookies to analyze the browsing behavior of internet users that have been previously exposed to the ad. This system is installed on the advertiser's ad server and provides an accurate measurement of the impact that the ad has on the basis of conversion indicators. The ad's impact can be monitored over a given period of time (generally 30 days).

I will use micro-level metrics to analyze how effectively the company is using the online marketing tools.

#### 1. Website

Advertisers can assess the impact of their branding campaigns by internet users' engagement on a website. This is achieved by analyzing every aspect of their browsing behavior, including: depth, duration and actions. Website metrics for the case company are as follows: number of visitors: 2 723 480, new visitors: 32,02%, repeated visits: 67,98%, bounce rate: 35,72%, average time spent on site: 00:04:47. Depth of visits for the case company are: 35,73% of users views 1 subpage, 24,75% of users views 20 or more subpages, 4,82% of users views 3,2 subpages, 4,51% of users views 4,51 subpages.

‘Fun to visit’ and ‘utility’ of a website are one of the most important features of a website and can influence online purchase intentions<sup>15</sup>. Another important aspect of a website that relates to intention of purchase are security, trustworthiness of websites and data presentation. Our case company website has a bounce rate of 35,72% and 67,98% of visitors are ‘coming back’ visitors. That means that most of the people that enters the site stays there for a longer time and they are also coming back later. Consequently the site is perceived as attractive and offers an interesting content to its visitors.

It is also important to determine the quality of site users. Quality will be determined by whether visitors are in the target market and have a potential of becoming a valuable customers. If a high proportion of visitors get no further than the home page it means the company is not reaching the right people. When it comes to our case company most viewers visit at least one subpage so we can regard the users as high quality users. However, the more subpages the user views is not always the better. The number of almost 25% of users viewing as much as 20 pages or more can indicate that the website is unclear and difficult to browse and users have to browse many subpages till they find what they are looking for.

## 2. Search Engine Marketing

A study conducted in March 2010 by eMarketer<sup>25</sup> reveals that 60% of respondents rely on the clickthrough rate to measure the effectiveness of their SEM campaigns<sup>16</sup>. However, perhaps the most limiting factor of the

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<sup>15</sup> Seock, Yoo-Kyoung and Norton, Marjorie. 2007. ‘Attitude toward internet web sites, online information search, and channel choices for purchasing’. *Journal of Fashion Marketing and Management*.

<sup>16</sup> [www.emarketer.com](http://www.emarketer.com). 15.11.2012.

<http://www.public.site1.mirror2.pho.emarketer.com/Article.aspx?R=1007679>

clickthrough rate, is that it does not provide any information on the kind of impact that the exposure to an advertisement gives rise to. Whether this is in terms of awareness, recall, engagement or purchase intent<sup>17</sup>. That is why it is important to concentrate also on the other metrics than click-through-rate. The SEM metrics for the case company are as follows:

- number of visits from organic search: Seznam: 214 443, Google: 96 897, Bing: 1 027; total number of visits from organic search: 312 367
- number of visits from paid search: Google: 598 287, Sklik: 297 103, Facebook: 6 470; total number of visits from paid search: 901 860

In our case there are three times more visits on the company's website (clicks) from paid search than from organic search, which contrasts with the general trend in the industry. The studies shows that 94% of clicks goes to the organic search results and only 6% to the paid search result<sup>18</sup>. The reason for that is that the case company concentrates more on paid search than on organic search. The company does not employ any SEO specialist and, as a result, it appears only on the brand search queries in the organic search. On the other business related queries the company's site does not appear in the first pages of the results. On the other hand, the company is hiring marketing agency to lead its PPC campaigns. However, given that people are still more likely to click on the organic search results than on the paid search result, and given a huge difference in this likeliness, the company would be better

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<sup>17</sup> Study conducted by PwC for IAB France and the SRI. 2010. *Measuring the effectiveness of online advertising*.

<sup>18</sup> [www.searchenginewatch.com](http://www.searchenginewatch.com). 10.11.2012. <http://searchenginewatch.com/article/2200730/Organic-vs.-Paid-Search-Results-Organic-Wins-94-of-Time>

off concentrating its online marketing efforts, apart from PPC campaigns, also on SEO optimization.

Paid search metrics for the case company are as follows: average position: 2,96, CTR: 3,15%, cost/conversion (many per click): 0,84 Euro, avg. CPC: 0,10 Euro.

The most search engines gives the most visibility to the ads at the top three positions. However, there is no proven correlation between the ad's position from 1 to 3 and the click-through-rate. For that, the case company's 2,96 average position is a wise decision. With this position it can gain as much clicks as possible and pay as little as possible for that outcome.

The most effective keywords in the paid search campaign of the case company (which keywords of the words that people type into search engines when trying to locate products or information are the most effective):

Keyword	Clicks	CTR	Avg. CPC	Avg. position	Conversions (many-per-click)	Cost/Conversions (many-per-click)
“company's name” <sup>19</sup>	16353	57,72%	0,01	1,01	2720	0,09
[company's name] <sup>20</sup>	3523	69,06%	0,01	1	579	0,08
[levné oblečení] <sup>21</sup>	2571	16,51%	0,17	2,35	483	0,88
[plesové šaty] <sup>22</sup>	3482	3,13%	0,09	3,17	332	0,94
“šaty” <sup>23</sup>	2274	1,13%	0,09	4,65	246	0,83

<sup>19</sup> “ ” this symbols means that the word is in phrase match, which means that the ad can be show when someone searches for your exact keyword, or your exact keyword with additional words before or after it

<sup>20</sup> [] this symbols means that the word is in exact match, which is a keyword setting that allows your ad to show only when someone searches for the exact phrase of your keyword or close variations of the exact phrase of your keyword

<sup>21</sup> Translation: Cheap clothes

<sup>22</sup> Translation: Ball gown

<sup>23</sup> Translation: Dress



It comes as no surprise that the company's brand related words have the best results. First of all, because system finds brand related keyword of high relevance to company's website and gives a lower price per click for those keywords. Second of all, because if a user is already searching for a certain brand, it is much easier to convince him/her to buy the product of the searched company.

When analyzing the effectiveness of Search Engine Marketing we cannot miss on the fact that some searches are driven by display ads and Facebook ads. We can track those on Google analytics<sup>24</sup>. For our case company 10% of searches in organic search are from people who have clicked previously on display ads. Similarly 5% comes from people who have been previously exposed to Facebook ads. This shows that search engine marketing and display advertising are closely correlated and depends one on each other.

### 3. Display Advertising

Display advertising metrics for the case company are as follows:

- Remarketing: clicks: 11 960, CTR: 0,33%, conversions (many-per-click): 1 370, cost/conversion (many-per-click): 0,94.
- Display ads targeted by interests: clicks: 485 430, CTR: 0,12%, conversions (many-per-click): 75 698, cost/conversion (many-per-click): 0,71.
- Display targeted by topics: clicks: 19 267, CTR: 0,07%, conversions (many-per-click): 2 162, cost/conversion (many-per-click): 1,35.

For our case company, the highest click-through-rate has remarketing targeting but it is behavioral targeting that has the lowest conversion cost. It

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<sup>24</sup> Google Analytics is a service offered by Google that generates detailed statistics about the visits to the website.

shows that people who has previously been on the company's site are the ones that clicks on the advertisement most often. Nevertheless, their visit is rarely followed by a purchase. On the other hand, users who are categorized as interested in fashion, click less often on the ad but makes purchases more frequently.

The fact that, people who have previously been on the company's website, are clicking on the ad and are not making a purchase afterwards, might be an important signal for the company. This could mean that people are interested in the company and are willing to buy, yet they still hesitate about the product, price or have difficulties finding what they need. It also shows that ads for remarketing are not fulfilling its role of convincing the not-decided users. The ads for different targets and different type of targeting should be customized to better answer to customer needs. And our case company uses the same type of ads to all target groups and for all types of targeting.

The second fact, that behavioral targeting is the most effective one, is proving the overall trend in the industry. A study conducted by an American University among 12 advertising networks showed that the click-through-rate for behavioral advertising was double the rate for traditional advertising<sup>25</sup>.

While analyzing display advertising we must take into consideration the fact that while people encounter search ads, they're looking for something to click on and when people encounter display ads, they're not looking for

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<sup>25</sup> Beales, Howard. 2009. *The Value Of Behavioral Targeting*.  
[http://www.networkadvertising.org/pdfs/Beales\\_NAI\\_Study.pdf](http://www.networkadvertising.org/pdfs/Beales_NAI_Study.pdf)

something to click on, whereas, they're looking for something to read. That is why the effectiveness of display ads is not as easily measured as search engine ads. Advertisers have long known that placing ads in front of people is effective even when they don't click on them. New research is showing that display ads are, in fact, effective even when people don't click on them<sup>26</sup>, even though it is difficult to measure this effect.

#### 4. Social media marketing

Facebook metrics for the case company: number of Facebook fans:

10 641, average cost per like: 1,65 Euro.

When it comes to social media it is important to stress that it is not only the number of fans/users that matters. More important is their value. That is why Facebook campaign run by the company was targeted at specific audience that would not only press the 'like' button but also be a potential customer. There were two main target groups: women, over 18 years-old, that were interested in fashion and men and women, over 18 years-old, that are fans of the two big competitive retailers on the Czech market for our case company. Especially good results had the second target group, fans of the competition. In the case of this group the average cost per like was close to 1 Euro. What is more, people from this group could become a very valuable users if only, our case company will show that it has more to offer than its competitors.

YouTube metrics for the case company, which has 10 videos on its

YouTube channel (metrics summarized for 10 videos): views: 50 097,

subscribers: 9, clicks: 1 988.

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<sup>26</sup> www.businessinsider.com. 11.11.2012. <http://www.businessinsider.com/henry-blodget-hey-online-display-ads-dont-suck-after-all-2009-7>

The movie from the company's YouTube channel that has the most views, 31 961, is 4 months old and its length is 1 minute. The second most viewed movie, 12 416 times, is 36 second long and 4 months old. The third, viewed 1978 times, is 2 minutes and 55 second long. Despite the general trend, that movies from 15 to 30 second works the best, both in terms of generating awareness and engaging customers, our case shows no correlation between those two. However, there is a correlation between the number of views and the content of the video. The two most views videos are parts of the same, longer movie.

Metrics of channel promotion for the case company:

- number of new registrations for e-mail newsletters: 327 679
- main sources of new registrations: banners: 30,81%, Google/CPC: 13,63%, Sklik/CPC: 5,83%.

Banners proves to be the most effective way of gaining new registrations. However, counting the amount of new registrations is just a beginning of the analysis of e-mail marketing effectiveness. After having a base of registered customers, the company, just like in the case of Facebook fans, starts relating to them in order to turn them into paying customers. The case company is sending e-mail newsletters on a daily basis with loads of information. Nevertheless, several studies showed that sending e-mails too often and with too many information, and not specially targeted information, are disliked by the customers and may even cause a customer desertion.<sup>27</sup>

Metrics of blog for the case company:

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<sup>27</sup> Abdulkadir Efendioglu, Fabiola Igna. 2011. *Attracting Customers Online Effectiveness of Online Marketing Tool*. Master's Thesis at Luleå University of Technology

Company's blog is run on a daily basis with news added almost every day.

However there is little effort made on engaging customers and consequently the company has no chance of collecting customers' feedback.

Analyzing micro level metrics is important not only because it supports achieving objectives for marketing outcomes and business contribution but also because it supplies information about customers that helps customize products, services and marketing actions in the future more accurately. Consequently, from Google Analytics we know that the company's customers are mostly women that are interested in fashion and that are aged between 18 and 50 years old. The geographic location of the customers is as follows: Prague: 25,80%, Brno: 7,52%, Ostrava: 4,50%.

## 2. Macro-level metrics

Macro level metrics are higher level, big picture measurements that are tracking the strategic objectives. In this study, as mentioned before we will concentrate on the Return On Investment as a macro level metric for internet marketing initiative. ROI can be calculated by comparing increases in the value of marketing assets and corporation profits to the costs of internet marketing (IM) investments:

$$\frac{(Current\ Financial\ Flows) - IM\ Investment}{IM\ Investment} = ROI^{28}$$

Consequently, the data needed to calculate ROI is as follows:

### 1. Current financial flows

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<sup>28</sup> I am using the Simple ROI calculation without taking into consideration the time value of money because the calculation of ROI is for short-term horizon (one year).

The current financial flows is the value of the financial flows originating from marketing assets that are realized in the current period. Revenues result from current sales to customers. Current costs include current cost of sales and direct selling expenses<sup>29</sup>.

The total revenue for the case company in the analyzed period is 156 911 239,90 Euro which corresponds to 103 985 transactions. The main sources of revenue are: e-mail marketing: 73 156 713,00 Euro (46,62%), direct/none: 16 630 744,90 Euro (10,6%), seznam/organic search: 8 003 909,00 (5,10 %), google/organic search: 3 191 110,00 (2,03%), google CPC: 2 964 854,00 (1,89%).

The main source of the revenue for our case company is e-mail marketing. This is because e-mail marketing used by the company is a type of advertisement that users agree to receive and, consequently, that reaches users that have genuine interest in the company's products. This fact goes along with the trend in the industry. The return on investment for e-mail marketing is said to be the highest of all online marketing tools and in 2012 was 4000%<sup>30</sup>.

## 2. Internet marketing investment

Internet marketing investment is the total value of investments relating to the internet marketing initiative. These include investments that have already been made during the analyzed period. Such investment for our case company consists of ongoing costs that include: human resource expenses in internet marketing, cost of marketing campaigns and IT expenses.

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<sup>29</sup> Epstein, Marc and Yuthas, Kristi. 2007. *Evaluating the Effectiveness of Internet Marketing Initiatives*. The Society of Management Accountants and the Chartered Institute of Management Accountants.

<sup>30</sup> www.group-mail.com. 26.11.2012. <http://group-mail.com/email-marketing/return-on-investment-roi-for-internet-and-email-marketing/>

Cost and revenue calculations for the case company are as follows:

<u>16.06.2011-24.09.2012</u>	<u>item</u>	<u>description</u>	<u>financial flows</u>
<b>Customer value</b>	increase in customer value associated with this investment		flows realized in current period
Revenue:	revenue	online sales	156 911 239,90 €
Costs:	costs of goods sold	cost of clothes and othe items	83 162 957,15 €
Net revenue			73 748 282,75 €
<b>Total Returns</b>			73 748 282,75 €
<b>Internet Marketing Investment</b>	Cost of resources invested in Internet marketing initiative		
Adwords costs		the cost of adwords campaigns	74 880,21 €
Facebook costs		the cost of facebook campaigns	15 419,91 €
Marketing agency costs		the cost of setting up, running and optimizing adwords and facebook campaigns	108 193,98 €
Email marketing		the cost of sending 149093945 newsletters (one newsletter a day to 327679 users during one year and three months)	1 494 820,60 €
<b>Total IM Investment</b>			1 693 314,71 €

The ROI of internet marketing initiative for the case company is:

$$\frac{73\,748\,282,75 - 1\,693\,314,71}{1\,693\,314,71} = 4255\%$$

## Discussion Questions

1. Why on-line retailing business is such an effective one?

On-line retailing business is perfectly compatible with online marketing tools and, consequently, can explore it in a more effective way. Internet provides on-line retailers with the rich source of information about their customers and potential customers, which then allows them to undertake effective one-to-one marketing and facilitates two-way communication with customers. One-to-one marketing to be effective requires the capture of customer-oriented information, so that their needs and preferences can be specified, and then elements of the marketing mix can be tailored

and adjusted to these requirements. Only business that allow their customers to act via on-line tools can gather such information and know exactly who their customers are. What is more, online retailers can, not only, lead customized on-line marketing campaign, but also can easily track their effectiveness and move resources the most effective campaigns. Businesses that offer purchases online have this kind of advantage that they can easily track what actions online does the user make and to what advertisement had the user responded before making the purchase. In this way, companies can test many online activities and, eventually, finance only those that bring them purchases.

Internet is also a source of other competitive advantage for on-line retailers. On-line marketing allows companies to investigate if there is a demand for its goods in other markets. If so, an on-line retailer, thanks to its flexibility, can easily broaden its target market and adjust suitably its marketing and distribution offer.

Internet also facilitates on-line retailers to cater into individual needs of customers by letting them customize the products as they wish.

## 2. Which on-line marketing tool is of the highest ROI?

Of all the on-line marketing tools, e-mail marketing has proved to produce the highest ROI. The Direct Marketing Association estimates that for every \$1 invested in e-mail marketing the ROI is \$43<sup>31</sup>. The second highest ROI has organic search marketing, which is \$21 (less than half of e-mail marketing ROI).

E-mail marketing is such an effective tool for a number of reasons. First of all because it is send to people that give consent to receive the company's newsletters.

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<sup>31</sup> DMA. Direct Marketing Association. <http://www.the-dma.org/index.php>



Several studies showed that people are used to receive commercial information via e-mail and do not perceive it as intrusion into one's personal life, as it is for example with social media. Secondly, it can be tailored to answer each user's individual needs.

However, e-mail marketing has also certain constraints in order to be able to generate such an effective ROI. E-mail marketing should not be a standalone marketing channel as e-mail is almost wholly reliant on other channels to drive traffic. Sending newsletters is not a good tool to create brand awareness, nevertheless a very good one to build relationships and drive sales. Consequently, a company needs to have an established list of users that might be interested in their offer and such a list needs to be created using other marketing tools. Sending out e-mails to people a company has no established relationship or previous contact will give a much lower ROI. Similarly when people receive e-mails from someone they do not know they are reluctant to open it.

### 3. If social media does not sell, why should the company go into it?

Social media is, above all, users territory. It does not sell, with few exceptions, since people are reluctant to receive any persuasion message via this medium. This is because this is place where people can also talk and not only listen, and, what is more, where people want to express their opinion and discuss. Still, it does not mean companies cannot use social media. People use social media to interact with other people, but so to do also with companies.

If it does not sell, what advantages can the company get from social media? It is a great tool to increase awareness since young people already spend more time on social media than on any other media. It is a medium that gives people the ability to express, so companies can collect the feedback from its customers and improve customer service, as well as, follow-up with the

dissatisfied ones. Another usage of social media is word-of-mouth marketing which, using this medium, can be spread faster than ever before.

Nevertheless, when using social media, companies must be very careful as it can work both ways, in favor and against the brand. In this kind of medium whatever information is given it must be truth and the company must be prepared, with arguments and facts, to defend it. Companies have to be open for people and willing to discuss, for this is what social media is for. And last but not least, the message must be interesting or important to the customers, as in social media will survive only what can go through the information chaos.

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